

**REPORT OF THE AUDIT OF THE
PENDLETON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
PENDLETON COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Pendleton County Fiscal Court for fiscal year ended June 30, 2009.

We have issued an unqualified opinion on the governmental activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pendleton County, Kentucky. Pendleton County Fiscal Court prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Financial Condition:

The fiscal court had total net assets of \$7,144,227 as of June 30, 2009. The fiscal court had unrestricted net assets of \$2,993,030 in its governmental activities as of June 30, 2009. The fiscal court had total debt principal as of June 30, 2009 of \$12,156,787 with \$686,038 due within the next year.

Deposits:

The Fiscal Court's deposits were covered by FDIC insurance and collateral security agreements.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Henry W. Bertram, Pendleton County Judge/Executive

Members of the Pendleton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pendleton County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pendleton County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Pendleton County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pendleton County, Kentucky, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Henry W. Bertram, Pendleton County Judge/Executive
Members of the Pendleton County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pendleton County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 13, 2010, on our consideration of Pendleton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

July 13, 2010

PENDLETON COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Henry W. Bertram	County Judge/Executive
Bobby Fogle	Magistrate
Gary Veirs	Magistrate
Alan Whaley	Magistrate
Stacey Wells	Magistrate

Other Elected Officials:

Jeff Dean	County Attorney
Ken Kells	Jailer
Rita Spencer	County Clerk
Mike Redden	Circuit Court Clerk
Craig Peoples	Sheriff
John Steele	Property Valuation Administrator
John Peoples	Coroner

Appointed Personnel:

Vicky King	County Treasurer
Sylvia McClanahan	Administrative Assistant
Jenny Schlueter	Occupational Tax Administrator

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PENDLETON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

PENDLETON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government Governmental Activities	Component Unit Pendleton County 109 Board
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 7,914,606	\$ 22,916
Note Receivable	6,000	
Asset Held For Resale	102,985	
Total Current Assets	<u>8,023,591</u>	<u>22,916</u>
Noncurrent Assets:		
Note Receivable	53,000	
Bond Issuance Costs, Net	111,721	
Discount on Bonds, Net	128,125	
Capital Assets - Net of Accumulated Depreciation		
Land and Improvements	382,465	
Construction In Progress	6,318,139	
Buildings and Improvements	661,002	
Vehicles	531,510	
Equipment	655,890	
Infrastructure	2,435,571	
Total Noncurrent Assets	<u>11,277,423</u>	
Total Assets	<u>19,301,014</u>	<u>22,916</u>
LIABILITIES		
Current Liabilities:		
Financing Obligations Payable	261,038	
Revenue Bonds Payable	425,000	
Total Current Liabilities	<u>686,038</u>	
Noncurrent Liabilities:		
Financing Obligations Payable	530,749	
Revenue Bonds Payable	10,940,000	
Total Noncurrent Liabilities	<u>11,470,749</u>	
Total Liabilities	<u>12,156,787</u>	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	4,151,197	
Unrestricted	2,993,030	22,916
Total Net Assets	<u>\$ 7,144,227</u>	<u>\$ 22,916</u>

The accompanying notes are an integral part of the financial statements.

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PENDLETON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

PENDLETON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,551,585	\$ 31,167	\$ 970,129	\$
Protection to Persons and Property	1,681,635	393,226	573,137	112,511
General Health and Sanitation	522,096	535,111	190,492	45,000
Social Services	15,074			
Recreation and Culture	68,616			
Roads	1,227,164	2,484	1,285,643	200,000
Airports	10,000			
Interest on Long-Term Debt	476,672			
Capital Projects	7,136			
Total Governmental Activities	<u>\$ 5,559,978</u>	<u>\$ 961,988</u>	<u>\$ 3,019,401</u>	<u>\$ 357,511</u>
Component Unit:				
Pendleton County 109 Board	<u>\$ 24,894</u>	<u>\$</u>	<u>\$ 14,295</u>	<u>\$</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
911 Taxes
Mental Health Taxes
Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

PENDLETON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	
Governmental Activities	Component Unit
\$ (550,289)	\$
(602,761)	
248,507	
(15,074)	
(68,616)	
260,963	
(10,000)	
(476,672)	
(7,136)	
(1,221,078)	
	(10,599)
738,308	
53,471	
137,303	
402,057	
154,573	
147,841	
173,218	
165,346	
31,498	
141,009	449
2,144,624	449
923,546	(10,150)
6,220,681	33,066
\$ 7,144,227	\$ 22,916

The accompanying notes are an integral part of the financial statements.

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PENDLETON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

PENDLETON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Local Government Economic Assistance Fund	Public Properties Corporation Court Facilities Project Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,189,627	\$ 420,838	\$ 979,168	\$ 5,083,561	\$ 241,412	\$ 7,914,606
Total Assets	<u>1,189,627</u>	<u>420,838</u>	<u>979,168</u>	<u>5,083,561</u>	<u>241,412</u>	<u>7,914,606</u>
FUND BALANCES						
Reserved for:						
Encumbrances	2,369	7,244	49,190		6,057	64,860
Capital Projects Fund				5,083,561		5,083,561
Unreserved:						
General Fund	1,187,258					1,187,258
Special Revenue Funds		413,594	929,978		235,355	1,578,927
Total Fund Balances	<u>\$ 1,189,627</u>	<u>\$ 420,838</u>	<u>\$ 979,168</u>	<u>\$ 5,083,561</u>	<u>\$ 241,412</u>	<u>\$ 7,914,606</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 7,914,606
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Bond Issuance Costs, Net, Are Not Financial Resources and, Therefore, Are Not Reported in the Funds.	111,721
Discount on Bonds, Net, Are Not Financial Resources and, Therefore, Are Not Reported in the Funds.	128,125
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	12,896,195
Accumulated Depreciation	(1,911,618)
Asset Purchased and Held for Resale	102,985
The Note Receivable is Not Due and Collected in the Current Period and Therefore, is Not Reported in the Funds.	59,000
Long-Term Debt is Not Due and Payable in the Current Period and Therefore, is Not Reported in the Funds.	
Current	(686,038)
Non-Current	<u>(11,470,749)</u>
Net Assets Of Governmental Activities	<u>\$ 7,144,227</u>

The accompanying notes are an integral part of the financial statements

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PENDLETON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

PENDLETON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Local Government Economic Assistance Fund	Public Properties Corporation Court Facilities Project Fund
REVENUES				
Taxes	\$ 1,492,323	\$	\$	\$
Excess Fees	165,346			
Licenses and Permits	19,060			
Intergovernmental	343,120	1,485,643	484,401	838,934
Charges for Services	535,111		19,980	
Miscellaneous	28,053	10,790		3,546
Interest	15,916	7,080	30,746	85,237
Total Revenues	<u>2,598,929</u>	<u>1,503,513</u>	<u>535,127</u>	<u>927,717</u>
EXPENDITURES				
General Government	660,879			
Protection to Persons and Property	271,156		357,977	
General Health and Sanitation	388,833			
Social Services	13,400		1,674	
Recreation and Culture	41,136		27,480	
Roads		1,549,600		
Airports	10,000			
Debt Service	9,985	132,981	161,365	844,400
Capital Projects	7,136			5,130,148
Administration	582,717	123,730	6,720	2,671
Total Expenditures	<u>1,985,242</u>	<u>1,806,311</u>	<u>555,216</u>	<u>5,977,219</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>613,687</u>	<u>(302,798)</u>	<u>(20,089)</u>	<u>(5,049,502)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds		120,000		
Transfers To Other Funds	(554,584)	(2,543)	(85,000)	
Transfers From Other Funds				
Total Other Financing Sources (Uses)	<u>(554,584)</u>	<u>117,457</u>	<u>(85,000)</u>	
Net Change in Fund Balances	59,103	(185,341)	(105,089)	(5,049,502)
Fund Balances - Beginning	1,130,524	606,179	1,084,257	10,133,063
Fund Balances - Ending	<u>\$ 1,189,627</u>	<u>\$ 420,838</u>	<u>\$ 979,168</u>	<u>\$ 5,083,561</u>

The accompanying notes are an integral part of the financial statements.

PENDLETON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Non- Major Governmental Funds	Total Governmental Funds
\$ 302,414	\$ 1,794,737
	165,346
1,776	20,836
236,848	3,388,946
373,246	928,337
1,924	44,313
2,030	141,009
<u>918,238</u>	<u>6,483,524</u>
35,601	696,480
1,120,684	1,749,817
134,867	523,700
	15,074
	68,616
	1,549,600
	10,000
75,698	1,224,429
	5,137,284
115,694	831,532
<u>1,482,544</u>	<u>11,806,532</u>
<u>(564,306)</u>	<u>(5,323,008)</u>
	120,000
(5,086)	(647,213)
647,213	647,213
<u>642,127</u>	<u>120,000</u>
77,821	(5,203,008)
163,591	13,117,614
<u>\$ 241,412</u>	<u>\$ 7,914,606</u>

The accompanying notes are an integral part of the financial statements.

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**PENDLETON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

PENDLETON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (5,203,008)
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Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation or Amortization Expense.

Capital Outlay	5,796,123
Depreciation Expense	(377,844)
Disposal of Capital Assets - Net Book Value	(9,142)
Bond Discount, Amortization Expense	(7,118)
Bond Issuance Costs, Amortization Expense	(6,207)
Asset Purchased and Held for Resale	102,985

Note Receivable Collections are Booked in the Governmental Funds as a Source of Revenue. These Transactions, However, Have No Effect on Net Assets.

Change in Water District Receivable	(6,000)
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The Issuance of Long-term Debt Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have no Effect on Net Assets.

Financing Obligation Proceeds	(120,000)
Financing Obligations Principal Payments	343,757
Bond Principal Payment	410,000

Change in Net Assets of Governmental Activities	\$ <u>923,546</u>
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PENDLETON COUNTY
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PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable, are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Pendleton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Pendleton County Public Properties Corporation

The Board of Directors of the Pendleton County Public Properties is the members of the Pendleton County Fiscal Court. The Corporation was created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Pendleton County Fiscal Court. The Fiscal Court has access to the Corporations resources, is legally obligated to finance the debts, or provide financial support to the corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the County as the Public Properties Corporation Court Facilities Project Fund.

Discretely Presented Component Unit

The component unit column in the combined financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize this organization's separateness from the fiscal court's primary government.

Pendleton County Solid Waste District (109 Board)

The Pendleton County Solid Waste District (109 Board) was created by Ordinance 820.2 pursuant to KRS 109.041 and KRS 67.083. The fiscal court appoints their members. Revenues are based on tonnage received at the landfill and expenditures are to be used for scholarships, educational programs, public information initiate and/or similar purposes dealing with conservation, environmental, and similar such concerns. A separate report of the 109 Board has not been issued. The fund financial statements for the Board have been included in supplementary information.

C. Pendleton County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Pendleton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Pendleton County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the third Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental). The fiscal court may also designate any fund as major.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for the general health and sanitation, social services, and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severance taxes, landfill user fees, and recreational user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Court Facilities Project Fund - The primary purpose of this fund is to account for the proceeds of bond anticipation notes and the construction of a justice center.

The primary government also has the following non-major funds: Jail Fund, Ambulance Fund, Emergency 911 Fund, Mental Health/Mental Retardation Fund, HRA Contribution Fund, and the Micro Fund.

Special Revenue Funds:

The Road Fund, Local Government Economic Assistance Fund, Jail Fund, Ambulance Fund, Emergency 911 Fund, Mental Health/Mental Retardation Fund, and the HRA Contribution Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund

Public Properties Corporation Court Facilities Project Fund is a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit:

Pendleton County Solid Waste District (109 Board)

The component unit is presented on the Statement of Net Assets and the Statement of Activities in a separate total column labeled "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land	\$ 1	N/A
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 1,000	3-25
Vehicles	\$ 1,000	3-5
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts is encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. A Formal budget is not adopted for the Pendleton County Public Properties Corporation.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pendleton County Fiscal Court: Pendleton County Water District, East Pendleton Water District, West Pendleton Water District, Airport Board, Conservation District and Library.

**PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations, Joint Venture, and Jointly Governed Organizations (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture among the Pendleton County Fiscal Court, the City of Falmouth, the City of Butler, and the Pendleton County Schools: Parks and Recreation Agency. The Planning Commission is a joint venture among Pendleton County, the City of Falmouth, and the City of Butler. The Northern Kentucky Regional Hazmat - WMD Response Unit, Inc. is a joint venture among Pendleton, Boone, Campbell, Carroll, Gallatin, Grant, Kenton, Owen, and Scott Counties.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 382,465	\$	\$	\$ 382,465
Construction In Progress	1,187,991	5,130,148		6,318,139
Total Capital Assets Not Being Depreciated	1,570,456	5,130,148		6,700,604
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	938,586			938,586
Vehicles	914,889	72,000	(29,547)	957,342
Equipment	1,049,365	180,415	(9,375)	1,220,405
Infrastructure	2,665,698	413,560		3,079,258
Total Capital Assets Being Depreciated	5,568,538	665,975	(38,922)	6,195,591
Less Accumulated Depreciation For:				
Buildings and Building Improvements	(251,731)	(25,853)		(277,584)
Vehicles	(365,545)	(82,567)	22,280	(425,832)
Equipment	(468,502)	(103,513)	7,500	(564,515)
Infrastructure	(477,776)	(165,911)		(643,687)
Total Accumulated Depreciation	(1,563,554)	(377,844)	29,780	(1,911,618)
Total Capital Assets, Being Depreciated, Net	4,004,984	288,131	(9,142)	4,283,973
Governmental Activities Capital Assets, Net	\$ 5,575,440	\$ 5,418,279	\$ (9,142)	\$ 10,984,577

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 13,248
Protection to Persons and Property	148,973
General Health and Sanitation	4,036
Roads, Including Depreciation of General Infrastructure Assets	<u>211,587</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 377,844</u>

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 4. Note Receivable

On April 3, 1997, Pendleton County Fiscal Court entered into a twenty-year agreement to sublease a 3,700 square foot commercial and office building and land to the Pendleton County Water District. Interest is paid to the county on a monthly basis and a principal payment is made annually to the county until the termination of the sublease in fiscal year ending June 30, 2017, as shown in the following table.

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 6,000	\$ 3,602
2011	6,000	3,219
2012	7,000	2,811
2013	7,000	2,365
2014	7,000	1,918
2015-2017	26,000	2,752
Totals	<u>\$ 59,000</u>	<u>\$ 16,667</u>

Note 5. Long-Term Debt

A. Financing Obligation - Water District

On April 3, 1997, Pendleton County entered into a twenty-year agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the financing and purchase of a 3,700 square foot commercial and office building and land for the Pendleton County Water District. Interest is paid on a monthly basis, and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2017, as shown in the following table.

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 6,000	\$ 3,602
2011	6,000	3,219
2012	7,000	2,811
2013	7,000	2,365
2014	7,000	1,918
2015-2017	26,000	2,752
Totals	<u>\$ 59,000</u>	<u>\$ 16,667</u>

Pendleton County Fiscal Court subsequently entered into a sublease agreement with the Pendleton County Water District for the building and land. As of fiscal year end, the Water District was in substantial compliance with the terms of the sublease agreement.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 5. Long-Term Debt (Continued)

B. Financing Obligation - Finance and Administration Cabinet

On February 20, 2003, the Pendleton County Fiscal Court entered into an agreement with the Secretary of the Finance Administration Cabinet to purchase a state maintenance garage to house the county road department. Principal is paid annually in the amount of \$12,200. There is no interest charged on this obligation. The following table shows future payment requirements.

Fiscal Year Ending June 30	Governmental Activities
	Principal
2010	\$ 12,200
2011	12,200
2012	12,200
Totals	<u>\$ 36,600</u>

C. Financing Obligation - Waterline Extensions

The Pendleton County Fiscal Court entered into an agreement with Fifth Third Bank to refinance the Pendleton County Public Properties Corporation issued bonds, Certificate of Participation Series 1993. The amount refinanced totaled \$1,511,456. This included principal of \$1,450,000 and refinancing charges of \$61,456. Principal payments are due December 1 and June 1 of each year through June 1, 2013. Interest is 3.8% and is payable each December 1 and June 1. The following table shows future payment requirements.

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 139,853	\$ 21,512
2011	145,293	16,072
2012	150,920	10,445
2013	157,136	4,549
Totals	<u>\$ 593,202</u>	<u>\$ 52,578</u>

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 5. Long-Term Debt (Continued)

D. Financing Obligation - Vehicle

On June 10, 2008, Pendleton County Fiscal Court entered into a lease agreement with KACoLT for the purchase of a Mack Dump Truck in the amount of \$120,000. The lease expires July 20, 2010 with the remaining principal due at that time. Interest is payable monthly beginning July 20, 2008 at 3.948%. The following table shows future payment requirements.

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 102,985	\$ 4,067

E. First Mortgage Revenue Bonds, Series 2008

On January 1, 2008, the Pendleton County Public Properties Corporation issued \$11,775,000 in First Mortgage Revenue Bonds, Series 2008 for the purpose of paying the costs for construction of court facilities. The Series 2008 bonds mature on December 1, 2027 bearing interest payable semi-annually on each June 1 and December 1. The following table summarizes the future payment requirements.

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 425,000	\$ 421,875
2011	440,000	408,350
2012	450,000	393,888
2013	470,000	378,350
2014	485,000	361,637
2015-2019	2,700,000	1,533,675
2020-2024	3,270,000	962,200
2015-2027	3,125,000	256,300
	<u>\$ 11,365,000</u>	<u>\$ 4,716,275</u>

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 5. Long-Term Debt (Continued)

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 1,015,544	\$ 120,000	\$ 343,757	\$ 791,787	\$ 261,038
Revenue Bonds	11,775,000		410,000	11,365,000	425,000
Governmental Activities					
Long-term Liabilities	<u>\$12,790,544</u>	<u>\$ 120,000</u>	<u>\$ 753,757</u>	<u>\$12,156,787</u>	<u>\$ 686,038</u>

Note 6. Prior Period Adjustment

Total net assets in the prior year audit have been restated from \$6,233,790 to \$6,220,681 (decrease of \$13,109) for the correction of errors, omissions, misstatements and rounding.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Non hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$183,251, FY 2008 was \$253,447, and FY 2009 was \$251,696.

PENDLETON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 7. Employee Retirement System (continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

Pendleton County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2009, Pendleton County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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PENDLETON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

PENDLETON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,292,200	\$ 1,292,200	\$ 1,492,323	\$ 200,123
Excess Fees	95,942	95,942	165,346	69,404
Licenses and Permits	18,300	18,300	19,060	760
Intergovernmental Revenue	166,800	166,800	343,120	176,320
Charges for Services	463,100	463,100	535,111	72,011
Miscellaneous	15,717	15,717	28,053	12,336
Interest	20,000	20,000	15,916	(4,084)
Total Revenues	<u>2,072,059</u>	<u>2,072,059</u>	<u>2,598,929</u>	<u>526,870</u>
EXPENDITURES				
General Government	891,757	976,061	660,879	315,182
Protection to Persons and Property	281,650	281,675	271,156	10,519
General Health and Sanitation	141,500	400,651	388,833	11,818
Social Services	25,700	27,700	13,400	14,300
Recreation and Culture	56,480	85,180	41,136	44,044
Airports	6,000	10,000	10,000	
Debt Service	9,317	9,992	9,985	7
Capital Projects	6,400	10,400	7,136	3,264
Administration	759,255	659,225	582,717	76,508
Total Expenditures	<u>2,178,059</u>	<u>2,460,884</u>	<u>1,985,242</u>	<u>475,642</u>
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(106,000)</u>	<u>(388,825)</u>	<u>613,687</u>	<u>1,002,512</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(494,100)	(494,100)	(554,584)	(60,484)
Borrowed Money	100	100		(100)
Total Other Financing Sources (Uses)	<u>(494,000)</u>	<u>(494,000)</u>	<u>(554,584)</u>	<u>(60,584)</u>
Net Changes in Fund Balance	(600,000)	(882,825)	59,103	941,928
Fund Balance - Beginning	<u>600,000</u>	<u>1,130,525</u>	<u>1,130,524</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$ 247,700</u>	<u>\$ 1,189,627</u>	<u>\$ 941,927</u>

PENDLETON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,222,087	\$ 1,222,087	\$ 1,485,643	\$ 263,556
Miscellaneous	6,500	6,500	10,790	4,290
Interest	16,000	16,000	7,080	(8,920)
Total Revenues	1,244,587	1,244,587	1,503,513	258,926
EXPENDITURES				
Roads	1,309,737	1,701,863	1,549,600	152,263
Debt Service	2,500	4,900	132,981	(128,081)
Capital Projects	12,200	12,200		12,200
Administration	117,850	129,503	123,730	5,773
Total Expenditures	1,442,287	1,848,466	1,806,311	42,155
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(197,700)	(603,879)	(302,798)	301,081
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(2,400)	(2,400)	(2,543)	(143)
Borrowed Money	100	100	120,000	119,900
Total Other Financing Sources (Uses)	(2,300)	(2,300)	117,457	119,757
Net Changes in Fund Balance	(200,000)	(606,179)	(185,341)	420,838
Fund Balance - Beginning	200,000	606,179	606,179	
Fund Balance - Ending	\$	\$	\$ 420,838	\$ 420,838

PENDLETON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 402,400	\$ 402,400	\$ 484,401	\$ 82,001
Charges for Services	20,000	20,000	19,980	(20)
Miscellaneous	1,000	1,000		(1,000)
Interest	2,000	2,000	30,746	28,746
Total Revenues	425,400	425,400	535,127	109,727
EXPENDITURES				
General Government				
Protection to Persons and Property	214,091	409,850	357,977	51,873
Social Services	2,000	2,000	1,674	326
Recreation and Culture	31,710	31,720	27,480	4,240
Roads	100	100		100
Debt Service	161,600	161,600	161,365	235
Administration	125,559	7,776	6,720	1,056
Total Expenditures	535,060	613,046	555,216	57,830
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(109,660)	(187,646)	(20,089)	167,557
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(180,340)	(180,340)	(85,000)	95,340
Total Other Financing Sources (Uses)	(180,340)	(180,340)	(85,000)	95,340
Net Changes in Fund Balance	(290,000)	(367,986)	(105,089)	262,897
Fund Balance - Beginning	290,000	320,286	1,084,257	763,971
Fund Balance - Ending	\$	\$ (47,700)	\$ 979,168	\$ 1,026,868

PENDLETON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**PENDLETON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

PENDLETON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Jail Fund	Ambulance Fund	Emergency 911 Fund	Mental Health Fund	HRA Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 24,904	\$ 108,386	\$ 30,738	\$ 66,556	\$ 10,828	\$ 241,412
Total Assets	<u>24,904</u>	<u>108,386</u>	<u>30,738</u>	<u>66,556</u>	<u>10,828</u>	<u>241,412</u>
FUND BALANCES						
Reserved for:						
Encumbrances	472	3,365	2,220			6,057
Unreserved:						
Special Revenue Funds	<u>24,432</u>	<u>105,021</u>	<u>28,518</u>	<u>66,556</u>	<u>10,828</u>	<u>235,355</u>
Total Fund Balances	<u>\$ 24,904</u>	<u>\$ 108,386</u>	<u>\$ 30,738</u>	<u>\$ 66,556</u>	<u>\$ 10,828</u>	<u>\$ 241,412</u>

The accompanying notes are an integral part of the financial statements.

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PENDLETON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

PENDLETON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Jail Fund	Ambulance Fund	Emergency 911 Fund	Micro- enterprise Fund
REVENUES				
Taxes	\$	\$	\$ 154,573	\$
Licenses & Permits				
Intergovernmental	87,032	10,170	104,045	35,601
Charges for Services		373,246		
Miscellaneous		1,769	155	
Interest	373	498	346	
Total Revenues	<u>87,405</u>	<u>385,683</u>	<u>259,119</u>	<u>35,601</u>
EXPENDITURES				
General Government				35,601
Protection to Persons and Property	339,561	529,531	251,592	
General Health and Sanitation				
Debt Service		75,698		
Administration	26,676	98	59,705	
Total Expenditures	<u>366,237</u>	<u>605,327</u>	<u>311,297</u>	<u>35,601</u>
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(278,832)</u>	<u>(219,644)</u>	<u>(52,178)</u>	
Other Financing Sources (Uses)				
Transfers To Other Funds			(5,086)	
Transfers From Other Funds	270,000	285,000	60,000	
Total Other Financing Sources (Uses)	<u>270,000</u>	<u>285,000</u>	<u>54,914</u>	
Net Change in Fund Balances	(8,832)	65,356	2,736	
Fund Balances - Beginning	33,736	43,030	28,002	
Fund Balances - Ending	<u>\$ 24,904</u>	<u>\$ 108,386</u>	<u>\$ 30,738</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

PENDLETON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Mental Health Fund	HRA Fund	Total Non-Major Governmental Funds
\$ 147,841	\$	\$ 302,414
1,776		1,776
		236,848
		373,246
		1,924
689	124	2,030
150,306	124	918,238
		35,601
		1,120,684
134,867		134,867
		75,698
	29,215	115,694
134,867	29,215	1,482,544
15,439	(29,091)	(564,306)
		(5,086)
	32,213	647,213
	32,213	642,127
15,439	3,122	77,821
51,117	7,706	163,591
\$ 66,556	\$ 10,828	\$ 241,412

The accompanying notes are an integral part of the financial statements.

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PENDLETON COUNTY 109 BOARD
A COMPONENT UNIT OF PENDLETON COUNTY
BALANCE SHEET - GOVERNMENTAL FUND - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

PENDLETON COUNTY 109 BOARD
A COMPONENT UNIT OF PENDLETON COUNTY
BALANCE SHEET - GOVERNMENTAL FUND - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 22,916
Total Assets	<u>22,916</u>
FUND BALANCE	
Unreserved	<u>22,916</u>
Total Fund Balance	<u>\$ 22,916</u>

The accompanying notes are an integral part of the financial statements.

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**PENDLETON COUNTY 109 BOARD
A COMPONENT UNIT OF PENDLETON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND - MODIFIED CASH BASIS
Other Supplementary Information**

For The Year Ended June 30, 2009

PENDLETON COUNTY 109 BOARD
A COMPONENT UNIT OF PENDLETON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	General Fund
REVENUES	
Miscellaneous	\$ 14,295
Interest	449
Total Revenues	<u>14,744</u>
EXPENDITURES	
Educational	19,144
General	5,750
Total Expenditures	<u>24,894</u>
Net Change in Fund Balance	(10,150)
Fund Balance - Beginning	<u>33,066</u>
Fund Balance - Ending	<u><u>\$ 22,916</u></u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Henry W. Bertram, Pendleton County Judge/Executive
Members of the Pendleton County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pendleton County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 13, 2010. Pendleton County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pendleton County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pendleton County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pendleton County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Pendleton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

July 13, 2010

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

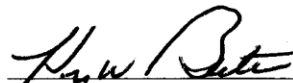
PENDLETON COUNTY FISCAL COURT

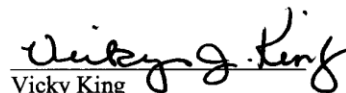
**For The Fiscal Year Ended
June 30, 2009**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
PENDLETON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

Pendleton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised States.


Henry W. Bertram
County Judge/Executive


Vicky King
County Treasurer

